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C O N F I D E N T I A L PANAMA 001089

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TAGS: [PREL](#) [PGOV](#) [EAID](#) [ECON](#) [PM](#) [TW](#)
SUBJECT: PANAMA: TAIWANESE SEEK CLOSER COORDINATION WITH
USG

REF: PANAMA 964

Classified By: POLCOUNS Brian R. Naranjo. Reason: 1.4 (b) and (d)

11. (U) This is an action request. See para 6.

Summary

12. (C) "Taiwan and the U.S. should coordinate more closely on assistance to Panama," Taiwanese Ambassador to Panama Ping-Fu Hou told POLCOUNS on June 11. "Working together we can ensure that the chavista threat does not take root in Panama." Underscoring this message, the Director of the Taiwanese International Cooperation and Development Fund (ICDF), Fung-Yen Liu, urged POLCOUNS and Acting AID Director that the U.S. and Taiwan should develop joint projects in Panama. "Divided our forces are not as effective, but working together Taiwan and the U.S. can have a bigger impact," Liu said. POLCOUNS and Acting AID Director, noting that it was useful to learn more about Taiwan's assistance programs, underscored that post could not undertake any formal or informal joint activities without direct authorization and approval from Washington. Both Hou and former Panamanian FM Oyden Ortega, head of a pro-Beijing advocacy group, separately told POLCOUNS that they did not believe that Panama would switch relations from Taipei to Beijing while approval of the U.S.-Panama Trade Promotion Agreement (TPA) was pending before the U.S. Congress. Hou and Liu seek to graft together Taiwanese and U.S. assistance programs in the hopes of building an additional firewall to forestall a Panamanian switch of its diplomatic recognition to Beijing. End Summary.

Taiwanese Ambassador Plays Chavez Card

13. (C) Taiwanese Ambassador to Panama Hou asserted to POLCOUNS on June 11 that the U.S. and Taiwan should work together more closely "to prevent a Chavez from emerging in Panama." In the wake of Costa Rica's switch of its diplomatic recognition from Taipei to Beijing and resigned to the likelihood that Nicaragua will do the same, Hou acknowledged that Taiwan would be trying to shore up its diplomatic relations in the region. Hou said that Taiwanese

VP Annette Lu would visit in July and would announce new assistance projects, including the construction of a hospital and a water supply system for a combined cost of USD 60 million. Hou himself recently donated funds to First Lady Vivian Fernandez de Torrijos and Minister of Education Miguel Angel Canizales to construct eighty-nine schools in rural areas, providing direct support to the First Lady's high-profile "Dignified Schools (Escuelas Dignas)" program to replace dilapidated and sub-standard schools with more adequate facilities. In another politically astute step, Hou delivered to Minister of Housing Balbina Herrera -- perhaps the most dynamic politician today in the governing Revolutionary Democratic Party (PRD) and believed to be considering a presidential run -- a donation to construct a model community of three hundred pre-fabricated bamboo homes for indigenous communities.

14. (C) Hou said that he did not believe that Panama would switch its diplomatic recognition to Beijing while the U.S.-Panama Trade Promotion Agreement (TPA) was pending U.S. congressional approval lest Panama alienate pro-Taiwan U.S. Congressmen. Separately, former FM Oyden Ortega, an active advocate for Panama to recognize Beijing, told POLCOUNS on June 13 that there would be no switch in diplomatic relations while the TPA was under consideration by the U.S. Congress. Furthermore, Ortega said Panama was unlikely to switch until the end of Panamanian President Torrijos' tenure in 2009. Ortega noted that Panama's business community was increasingly lobbying the GOP to switch its diplomatic recognition to China to advance further Panama's growing commercial ties with the mainland.

Extensive Taiwanese Assistance Programs

14. (SBU) The following week, Panama-based ICDF Director Liu contacted acting USAID director to request a meeting to discuss possible future U.S.-Taiwanese joint activities. Underscoring that ICDF was a "technical cooperation organization," Liu shared with POLCOUNS and acting USAID director on June 22 a comprehensive overview of ICDF's activities in Panama as of the first quarter of 2007:

- an organic agriculture project;
- extensive training, agricultural including fruit trees, vegetable gardens, greenhouses, and ornamental plants;
- a sustainable "artisan" fishery management project;
- a regional fish farming and training project;
- extensive microcredit activities;
- an exotic tropical fruit project; and
- the establishment of an agroindustrial center to produce fruit juices, preserves, and other processed fruit products.

Liu went to great lengths to explain the controls and oversight that ICDF required for its projects and emphasized that the GOP and local beneficiaries had to put up matching funds for these projects. "If they buy in," Liu said, "they are more likely to work to make the projects succeed." Liu clarified, with some disdain, that recently reported multi-million dollar Taiwanese donations to the First Lady's office and to the Minister of Housing were "handled by the Embassy, not ICDF" and did not have the same accountability and oversight mechanism's like IDF's "technical assistance."

15. (SBU) Liu said that Taiwan and the U.S. should find ways to work on projects jointly. Acting USAID director explained that USAID's activities in Panama were shrinking due to

budget constraints and that the U.S. generally ran its own projects to ensure accountability, though a particular project might be in conjunction with others working on a large effort. POLCOUNS noted that the U.S., of course, would need to take into account the special nature of its relationship with Taiwan before entering into any formal or informal activities. Both POLCOUNS and acting USAID director underscored that post could not contemplate any joint activities without express guidance from Washington.

Action Request

¶6. (SBU) Action Request: Post requests guidance from Department and USAID regarding further engagement with the Taiwanese Embassy in Panama regarding this matter.

Comment

¶7. (C) The Taiwanese seek to work closely with Embassy in the hopes of building another firewall to prevent Panama from switching its diplomatic recognition to Beijing. Once U.S. congressional action on the TPA is concluded, a significant brake on such a switch will be removed. The "technical work" of the ICDF in Panama is greatly overshadowed by the high-profile, politically astute donations handed out by the Taiwanese Ambassador. Additionally, memories of Taiwan's multi-million dollar donations to sketchy associations during the previous administration led by former President Mireya Moscoso are still fresh in many Panamanian minds. Indeed, Ambassador Hou himself has previously told POLCOUNS that he was transferred to Panama to put Taiwanese-Panamanian relations on a more firm footing by moving beyond the Moscoso-era scandals by introducing more transparency and accountability to Taiwan's donations to Panama. To a large extent, Hou has succeeded as evidenced by the high-level contacts between the two governments over the past nine months.

Given the highly political nature of Taiwanese foreign assistance in Panama -- both from a Taiwanese-Panamanian bilateral prospective and from a Panamanian domestic prospective -- post recommends steering clear of Taiwanese proposals to coordinate formally or informally USG assistance to Panama.

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